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Cases Analysis of Bhagwandas Govardhan Das Kedia v. Girdharilal Parshottamdas

Mihika Kanani · 29 Jun 2025

Bhagwandas Goverdhandas Kedia vs. M/s Girdharilal Parshottamdas and Co (1965) is a landmark case in contract law which widened the scope of communication of offer and acceptance.

Introduction

Bhagwandas Goverdhandas Kedia vs. M/s Girdharilal Parshottamdas and Co. decided the jurisdiction for bringing a suit when the agreement was made over a telephone. This case resolved the issue of jurisdiction that arises at the place of the offeror, i.e., a place where the acceptance is received by the offeror with instantaneous communication, contrary to communication by post.

Facts of the Case

On 22nd July 1959, Bhagwandas Govardhana's Kedia Oil Mills had agreed to supply cotton seed cakes to M/s. Girdharilal Parshottamdas and Co. (plaintiff-respondent) of Ahmedabad over telephone. The offer was accepted by Bhagwandas over the phone in Khamgaon.

Eventually, Mr. Bhagwandas failed to supply the requisite seed cakes. Mr. Girdharilal proceeded to file an action against him, and claimed monetary compensation to the tune of Rs. 31,150. The suit was filed in the Civil Court of Ahmedabad.

It was contended that the Court had no jurisdiction to try the suit as the offer had been accepted in Khamgaon. Furthermore the delivery of the goods was to be made in Khamgaon as well.

The Civil Court had ruled that it had the jurisdiction as the offer had been initiated and informed to the offeree in Ahmedabad. Therefore they contended that the contract had been formed in Ahmedabad and not Khamgaon.

The appeal filed by the appellants in the Gujarat High Court was subsequently rejected. They proceeded to file a Special Leave Petition in the Supreme Court.

Issues Identified

1. Whether the Ahmedabad Civil Court had the appropriate jurisdiction to try the matter.
2. Whether the contract had been formed in the place where the offer has been initiated or accepted.
3. Whether the rules of acceptance through postal communication are applicable to contracts formed through instantaneous communication.

Relevant Provisions under Indian Contract Act

Sections 3 and 4 of the Indian Contract Act, 1872, deal with the formation of contracts, focusing on the **communication of offers and acceptance**.

Section 3 of the Indian Contract Act defines how an offer (proposal) and its acceptance are communicated. It specifies that communication can happen either through words (spoken or written) or by conduct.

The section also highlights the importance of the communication process: an offer is only effective once it is communicated to the person it's made to, and the acceptance must also be communicated in return.

Furthermore, a proposal can be revoked before the acceptance is made, and a proposal becomes a contract only once the acceptance is received by the offeror. Additionally, any offer or acceptance sent by post is considered effective once it reaches the recipient.

Section 4 of the Indian Contract Act outlines when an offer and its acceptance are considered complete. An offer is considered complete when it reaches the person to whom it is made.

Similarly, an acceptance is complete when it is sent (as long as the offeror hasn't specified a method or place). If acceptance is by post, it is considered complete once it is posted, irrespective of whether it has been received by the offeror.

Arguments Advanced

Arguments Advanced by the Plaintiff

The appellant argued that only the court within whose territorial jurisdiction the acceptance is verbally communicated via telephone has the authority to adjudicate any disputes related to the contract. The determination of where the contract is formed is governed by the provisions of Sections 3 and 4.

Arguments Given by the Defendant

The respondent contended if an offer's initiation leads to a breach of contract, the court within whose jurisdiction the offer was made has the authority to examine the case. Additionally, the court in the jurisdiction where the acceptance was initiated has the responsibility to address matters related to the acceptance and contract formation.

Judgement Given

The case was adjudicated by a three judge bench composed of Justice Shah, Justice Wanchoo, and Justice Hidayatullah. The judgement was in favour of Mr. Bhagwandas in a majority of 2:1.

The majority opinion upheld the decision of the Civil Court. It was held that the contract could not be governed by Sections 3 and 4 of the Indian Contract Act 1872 as the framers of the Act did not foresee a situation where a contract could be formed instantaneously.

They concurred with the decision of *Entores Ltd. v. Miles Far East Corporation*. In this case, a party situated in the Netherlands sent an offer to a party in England via telefax and the party in England accepted it. The question before the court was whether the contract was created where the acceptor accepted it, or where the offeror learnt of the acceptance.

The court held that the contract comes into being where the offeror comes to know of theacceptance, and the contract is created at the place where the offeror hears of the acceptance.

Therefore, the sections can only be considered for non-instantaneous modes of communication such as the postal mode of communication.

The Supreme Court of India ruled that in cases of instantaneous communication, such as telephone conversations, the contract is formed at the place where the offeror receives the acceptance.

In this case, the contract was deemed to have been formed in Ahmedabad, where the plaintiff received the acceptance, thereby establishing the jurisdiction of the Ahmedabad court.

The judgement reinforced the principle that a contract is considered complete when the offeror learns of the acceptance, emphasizing the importance of communication in contract formation.

Conclusion

Bhagwandas Goverdhandas Kedia vs. M/s Girdharilal Parshottamdas & Co. is an important case in the domain of Indian contract law, addressing the formation of contracts through instantaneous communication like telephone conversations.

The Supreme Court ruled that in such cases, a contract is formed at the place where the offeror receives the acceptance, establishing the jurisdiction of the court where the acceptance is communicated.

The case has set a significant precedent, influencing subsequent judgments on contract formation and jurisdiction in similar scenarios. Despite a dissenting opinion, the majority ruling has been influential in shaping Indian contract law regarding modern communication methods.

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